

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF MAYBEE	County MONROE
Fiscal Year End 12/31/07	Opinion Date 03/27/08	Date Audit Report Submitted to State 04/30/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) COOLEY HEHL WOHLGAMUTH & CARLTON, PLLC		Telephone Number (734) 241-7200	
Street Address ONE SOUTH MONROE STREET		City MONROE	State MI
Zip 48161			
Authorizing CPA Signature 	Printed Name PETER H. CARLTON	License Number 1101009575	

VILLAGE OF MAYBEE
Monroe County, Michigan

ANNUAL FINANCIAL REPORT

December 31, 2007

VILLAGE OF MAYBEE

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**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
Certified Public Accountants

Independent Auditor's Report

Village Council
Village of Maybee
Maybee, Michigan 48159

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Village of Maybee, Monroe County, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Maybee, Monroe County, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, of the Village of Maybee, Monroe County, Michigan, as of December 31, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 28 through 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation to the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Maybee, Monroe County, Michigan's basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cooley Hehl Wohlgamuth & Carlton

March 27, 2008

VILLAGE OF MAYBEE

Management's Discussion and Analysis Year Ended December 31, 2007

This section of the Village of Maybee's annual financial report presents our discussion and analysis of the Village's financial performance during the year ended December 31, 2007. Please read it in conjunction with the Village's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the Village's revenues and expenditures by program for the General Fund, Special Revenue Funds, and the Debt Retirement Fund.

The Governmental Accounting Standards Board (GASB) adopted this reporting model in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the Village's financial report is only prepared every other year, is not reported.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Village of Maybee financially as a whole. The ***Government-Wide Financial Statements***, which include the Statement of Net Assets and the Statement of Activities, provide information about the activities of the Village as a whole and presents both a short-term and a long-term view of those finances. The ***Fund Financial Statements*** provide the next level of detail. For governmental activities, these statements explain how services were financed in the short-term as well as what remains for future spending. The ***Fund Financial Statements*** report the Village's operations in more detail than the ***Government-Wide Financial Statements*** by providing information about the Village's individual funds - the General Fund, the Major Street Fund, the Local Street Fund, the Sewer Operating Fund, and the Water Debt Retirement Fund. The following summary illustrates how the various parts of this annual report are arranged:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements *Fund Financial Statements*

Notes to the Basic Financial Statements

Budgetary Information for Major Funds
(Required Supplemental Information)

Other Supplemental Information

VILLAGE OF MAYBEE

Management's Discussion and Analysis *Year Ended December 31, 2007*

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities (pages 9-10), which appear first in the Village's financial statements, report information on the Village as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Village's net assets and changes in them. The change in net assets provides the reader a tool to assist in determining whether the Village's financial health is improving or deteriorating. The relationship between revenues and expenses indicates the Village's operating results. However, the Village's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Village.

The Statement of Net Assets and Statement of Activities report the governmental activities for the Village, which encompass all of the Village's services, including general government services, public safety, public works, and recreation and culture. Property taxes, state grants, and special assessments and charges for services finance most of these activities.

Fund Financial Statements

The Village's Fund Financial Statements (pages 11-16) provide detailed information about the individual funds - not the Village as a whole. Some funds are required to be established by State law and by bond covenants. However, the Village establishes other funds to control and manage money for particular purposes or to show that it is properly using revenues. The Village's governmental funds use the accounting approaches as described below:

Governmental funds - All of the Village's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation format in the financial section on pages 13 and 16.

VILLAGE OF MAYBEE

Management's Discussion and Analysis *Year Ended December 31, 2007*

Government-Wide Financial Analysis

Recall that the Statement of Net Assets provides the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of December 31, 2007:

Table 1:

Statement of Net Assets

	<u>Governmental Activities</u>
Current and other assets	\$ 967,581
Capital assets	<u>2,496,976</u>
Total Assets	3,464,557
Current and other liabilities	12,268
Long-term liabilities	<u>11,544</u>
Total Liabilities	<u>23,812</u>
Net Assets:	
Invested in capital assets, net of related debt	2,483,989
Restricted for:	
Debt service	225,443
Streets and highways	33,304
Fire protection	154,754
Sewer operating	132,642
Recreation and cultural	19,658
Unrestricted	<u>390,955</u>
Total Net Assets	<u>\$3,440,745</u>

As depicted in Table 1, the Village's net assets were \$3,440,745 at December 31, 2007. Of this amount, a positive \$390,955 was unrestricted. This amount represents the *accumulated* results of all past years' operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay off all of our bills *today*, including all of our noncapital liabilities we could with our current resources. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

VILLAGE OF MAYBEE

Management's Discussion and Analysis *Year Ended December 31, 2007*

Government-Wide Financial Analysis – Concluded

The results of this year's operations for the Village as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the year ended December 31, 2007:

Table 2:

Changes in Net Assets

	<u>Governmental Activities</u>
Revenues	
Program revenues:	
Charges for services	\$ 80,771
Operating grants and contributions	<u>149,864</u>
	230,635
General revenues:	
Property taxes	131,674
State grants	41,728
Interest	68,455
Other	<u>14,977</u>
	<u>256,834</u>
Total Revenues	487,469
Functions/Program Expenses	
Legislative	2,075
General government	51,694
Public safety	40,413
Public works	570,295
Recreation and cultural	6,369
Interest	<u>5,546</u>
Total Expenses	<u>676,392</u>
Increase (Decrease) in Net Assets	<u><u>\$ (188,923)</u></u>

As indicated in Table 2, the cost of *all governmental* activities this year was \$676,392. Of this amount, \$230,635 was subsidized with revenue generated from charges for services, rentals and grants with the remaining costs financed with general revenues.

The Village experienced a decrease in net assets of \$188,923. The key reason for this decrease was a partial refund of water special assessments to water customers. The decrease in net assets differs from the change in fund balance. A reconciliation of the change in fund balances to the change in net assets appears on page 13.

VILLAGE OF MAYBEE

Management's Discussion and Analysis *Year Ended December 31, 2007*

Fund Financial Analysis

As noted earlier, the Village uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the Village of Maybee is being held accountable for the resources taxpayers and others provide to it and may give more insight into the Village's overall financial health.

As the Village completed this year, the governmental funds reported a combined fund balance of \$641,620, which is a decrease of \$474,366 from last year. The changes by funds are as follows:

	General Fund	Special Revenue Funds	Water Debt Retirement Fund	Total
Fund balances - Beginning of year	\$287,686	\$441,025	\$387,275	\$1,115,986
Increase (decrease)	<u>103,269</u>	<u>(275,079)</u>	<u>(302,556)</u>	<u>(474,366)</u>
Fund balances - End of year	<u>\$390,955</u>	<u>\$165,946</u>	<u>\$ 84,719</u>	<u>\$ 641,620</u>

The Village's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	<u>December 31, 2007</u>
Revenues	
Property taxes	\$131,674
Licenses and permits	3,164
State grants	41,728
Interest	13,219
Other	<u>17,981</u>
	<u><u>\$207,766</u></u>

VILLAGE OF MAYBEE

Management's Discussion and Analysis *Year Ended December 31, 2007*

Fund Financial Analysis – Concluded

	<u>December 31, 2007</u>
Expenditures	
Legislative	\$ 1,955
General government	42,023
Public safety	33,815
Public works	12,210
Recreation and cultural	5,916
Other	<u>8,578</u>
	<u><u>\$104,497</u></u>

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires the Village Council to adopt the original budget for the upcoming year prior to January 1, the start of the year. Over the course of the year, the Village may revise its budget as it attempts to deal with the unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule illustrating the Village's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Revenues – Original budgeted revenues of \$192,150 were not amended during 2007. Actual revenues of \$207,766 included state grants totaling \$41,728. Property taxes and state aid accounted for 84% of total revenues.

Expenditures – Original budgeted expenditures of \$157,225 were amended to \$163,225 to reflect increases in the general government, fire department, zoning board, and insurance. Actual expenditures were \$104,497.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2007, the Village had \$3,481,725 invested in a broad range of capital assets, including land, construction in progress, building and building improvements, machinery and equipment, the sewer system, water lines, and roads. The amount represents an increase of \$441,431 from last year. This year's additions were street preservation on Bluebush Road and construction in progress for sewer system improvements. Depreciation for this year totaled \$74,330. Detailed information regarding capital assets is included in Note 5 to the financial statements.

VILLAGE OF MAYBEE

Management's Discussion and Analysis Year Ended December 31, 2007

Capital Asset and Debt Administration (Concluded)

Debt Administration

At December 31, 2007, the Village had \$12,987 in bonds payable. Detailed information regarding debt is included in Note 6 to the financial statements.

Development of the 2008 Year Budget

Our elected officials consider many factors when setting the Village's 2008 year budget. Based primarily on the last year's spending patterns, thought is also given to important factors affecting the budget, like decreased revenue sharing from the State since it accounts for 20 percent of our revenues. The Village has proposed a plan to construct a municipal parking lot during 2008. The plan would include amending the budget to lease the property from Citizen's Bank and pave the parking lot. The original General Fund budget for 2008 estimates revenues of \$213,300 and expenditures of \$207,415, which results in adding \$5,885 to its carryover fund balance.

Contacting the Village of Maybee's Business Office

This financial report is designed to provide the Village's citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate their accountability for the money it receives. If you have questions about this report or need additional information, contact the Village of Maybee Clerk, P. O. Box 36, Maybee, MI 48159.

VILLAGE OF MAYBEE*Statement of Net Assets
December 31, 2007*

	Governmental Activities
Assets	
Cash and cash equivalents	\$540,158
Accounts Receivable	242,812
Due from other governmental units	10,199
Investment in joint ventures:	
London Maybee Raisinville Exeter Library	19,658
London Maybee Raisinville Fire Department	154,754
Depreciable capital assets, net	2,496,976
Total Assets	3,464,557
Liabilities	
Accounts payable	10,205
Other liabilities	620
Long-term liabilities:	
Due within one year	1,443
Due in more than one year	11,544
Total Liabilities	23,812
Net Assets	
Invested in capital assets, net of related debt	2,483,989
Restricted for:	
Debt service	225,443
Streets and highways	33,304
Fire protection	154,754
Sewer operating	132,642
Recreation and cultural	19,658
Unrestricted	390,955
Total Net Assets	\$3,440,745

See accompanying notes to the basic financial statements.

VILLAGE OF MAYBEE

Statement of Activities *Year Ended December 31, 2007*

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental Activities:				
Legislative	\$2,075	\$0	\$0	(\$2,075)
General government	51,694	6,000	0	(45,694)
Public safety	40,413	3,164	0	(37,249)
Public works	570,295	71,607	149,864	(348,824)
Recreation and cultural	6,369	0	0	(6,369)
Interest on long-term debt	5,546	0	0	(5,546)
Total Governmental Activities	<u>\$676,392</u>	<u>\$80,771</u>	<u>\$149,864</u>	(445,757)
General Revenues:				
Property taxes				131,674
State grants				41,728
Interest				68,455
Other				<u>14,977</u>
Total General Revenues				<u>256,834</u>
Change in Net Assets				(188,923)
Net Assets - Beginning of year				<u>3,629,668</u>
Net Assets - End of year				<u>\$3,440,745</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MAYBEE

Governmental Funds Balance Sheet December 31, 2007

		Special Revenue Funds		
	General Fund	Major Street Fund	Local Street Fund	Sewer Operating Fund
Assets				
Cash and cash equivalents	\$365,015	\$3,262	\$37,617	\$104,655
Accounts/taxes receivable	28,115	0	0	17,788
Accrued interest receivable	851	0	0	0
Due from other governments	0	0	0	10,199
Total Assets	<u>\$393,981</u>	<u>\$3,262</u>	<u>\$37,617</u>	<u>\$132,642</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$2,630	\$6,275	\$1,300	\$0
Other liabilities	396	0	0	0
Deferred revenue	0	0	0	0
Total Liabilities	3,026	6,275	1,300	0
Fund Balances				
Reserved for debt service	0	0	0	0
Designated for sludge removal	0	0	0	65,000
Unreserved:				
Undesignated, reported in:				
General Fund	390,955	0	0	0
Special Revenues Funds	0	(3,013)	36,317	67,642
Total Fund Balances	<u>390,955</u>	<u>(3,013)</u>	<u>36,317</u>	<u>132,642</u>
Total Liabilities and Fund Balances	<u>\$393,981</u>	<u>\$3,262</u>	<u>\$37,617</u>	<u>\$132,642</u>

See accompanying notes to the basic financial statements.

Water Debt Retirement Fund	Total Governmental Funds
\$29,609	\$540,158
196,058	241,961
0	851
0	10,199
<u>\$225,667</u>	<u>\$793,169</u>
\$0	\$10,205
0	396
<u>140,948</u>	<u>140,948</u>
140,948	151,549
84,719	84,719
0	65,000
0	390,955
<u>0</u>	<u>100,946</u>
84,719	641,620
<u>\$225,667</u>	<u>\$793,169</u>

VILLAGE OF MAYBEE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets *December 31, 2007*

Total Fund Balances - Governmental Funds		\$641,620
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Cost of the capital assets	\$3,485,251	
Accumulated depreciation	<u>(988,275)</u>	
		2,496,976
Investment in London Maybee Raisinville Exeter Library joint venture is not a financial resource and is not reported in the funds		19,658
Investment in London Maybee Raisinville Fire Department joint venture is not a financial resource and is not reported in the funds		154,754
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred revenue in the funds.		140,948
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	(12,987)	
Accrued interest	<u>(224)</u>	
		<u>(13,211)</u>
Total Net Assets - Governmental Activities		<u>\$3,440,745</u>

See accompanying notes to the basic financial statements.

VILLAGE OF MAYBEE

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

		Special Revenue Funds		
	General	Major	Local	Sewer
	Fund	Street	Street	Operating
	Fund	Fund	Fund	Fund
Revenues				
Property taxes and special assessments	\$131,674	\$0	\$0	\$0
Licenses and permits	3,164	0	0	0
State grants	41,728	40,684	11,162	95,673
Charges for services	0	0	0	71,607
Interest	13,219	19,097	935	4,186
Other revenue	17,981	1,052	0	290
Total Revenues	207,766	60,833	12,097	171,756
Expenditures				
Current Operating:				
Legislative	1,955	0	0	0
General government	42,023	0	0	0
Public safety	33,815	0	0	0
Public works	12,210	364,880	1,300	153,585
Recreation and cultural	5,916	0	0	0
Other	8,578	0	0	0
Debt service	0	0	0	0
Total Expenditures	104,497	364,880	1,300	153,585
Net Change in Fund Balances	103,269	(304,047)	10,797	18,171
Fund Balances - Beginning of year	287,686	301,034	25,520	114,471
Fund Balances - End of year	\$390,955	(\$3,013)	\$36,317	\$132,642

See accompanying notes to the basic financial statements.

Water Debt Retirement Fund	Total Governmental Funds
\$47,302	\$178,976
0	3,164
0	189,247
0	71,607
31,018	68,455
3,999	23,322
82,319	534,771
0	1,955
0	42,023
0	33,815
0	531,975
0	5,916
225,732	234,310
159,143	159,143
384,875	1,009,137
(302,556)	(474,366)
387,275	1,115,986
\$84,719	\$641,620

VILLAGE OF MAYBEE

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds (\$474,366)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;

in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense

(\$74,330)

Capital outlay

441,431

367,101

Accrued interest is recorded in the statement of activities when incurred;
it is not reported in governmental funds until paid.

2,154

Change in London Maybee Raisinville Exeter Library joint venture
equity interest is not a financial resource and is not reported in

414

Change in London Maybee Raisinville Fire Department joint venture
equity interest is not a financial resource and is not reported in

(5,586)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenue in the funds.

(47,302)

Repayments of bond principal is an expenditure in the governmental funds,
but not in the statement of activities (where it reduces long-term debt).

151,443

Reduction in special assessment receivable

(182,781)

Change in Net Assets of Governmental Activities

(\$188,923)

See accompanying notes to the basic financial statements.

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2007

Note 1 Description of the Village and Reporting Entity

The Village operates under a locally elected six member Council form of government and provides the following services: public safety, highways and streets, recreation and culture, public improvements, planning and zoning, general administrative services and sewage disposal services.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. Component units may also include organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt, or the levying of taxes. The Village has no component units.

The following entities are not included herein as they operate as autonomous units:

London-Maybee-Raisinville-Exeter Library - This is a joint library supported by London, Raisinville, and Exeter Townships and the Village of Maybee to provide a library for these four governmental units. This library is audited as a part of the Exeter Township audit.

London-Maybee-Raisinville Fire Department - This is a joint fire department supported by the Village of Maybee, London Township and Raisinville Township to provide fire protection to the Village and the Townships. The fire department is audited as a separate unit of government.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Village of Maybee have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the Village's accounting policies.

Basis of Presentation

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. The Village's government-wide activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Amounts reported as program revenue include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. General revenue includes taxes, intergovernmental payments, and other items not properly included among program revenues.

VILLAGE OF MAYBEE

Notes to Financial Statements *Year Ended December 31, 2007*

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

A. Government-Wide and Fund Financial Statements (Concluded)

Separate financial statements are provided for governmental funds. Individual major governmental funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental fund expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments, are recorded only when payment is due.

On the governmental funds statements, property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. The General Fund accounts for all financial resources of the Village, except those required to be accounted for in another fund.

The Major Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all major streets.

The Local Street Fund accounts for gas and weight tax monies from the State of Michigan and expenditures for construction and maintenance of all local streets.

The Sewer Operating Fund accounts for monies collected from customers for sewer services and to pay the Monroe County Drain Commission for the operation and maintenance of the sewer system.

The Water Debt Retirement Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs of the General Obligated Limited Tax Water Supply System Bonds and the 1997 Special Assessment Water Bonds.

The Village does not have any nonmajor governmental funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF MAYBEE

Notes to Financial Statements *Year Ended December 31, 2007*

Note 2 Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Property Tax Receivable - Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. Taxes are considered delinquent August 31 of the following year.

Prepaid Assets - Payments made to vendors for services that will benefit periods beyond December 31, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, water or sewer lines) are reported in the governmental column of the government wide financial statements. Capital assets are defined by the Village as assets with an individual cost of more than \$1,000 and estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land, and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and buildings improvements	20-50 years
Machinery and equipment	5-20 years
Sewer system	50 years
Water lines	50 years
Roads	20 years

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net assets.

Accrued Liabilities and Long-Term Obligations - In the government-wide financial statements, long-term debt, notes and other obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

VILLAGE OF MAYBEE

Notes to Financial Statements
Year Ended December 31, 2007

Note 2 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

C. Assets, Liabilities, and Net Assets or Equity (Concluded)

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Fund Balance Reserves and Designations - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

- D. Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.
- E. Extraordinary and Special Items - Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Village and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.
- F. Budgetary Policies - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council.

VILLAGE OF MAYBEE

*Notes to Financial Statements
Year Ended December 31, 2007*

Note 2 Summary of Significant Accounting Policies (Concluded)

Basis of Presentation (Concluded)

F. Budgetary Policies (Concluded)

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

1. The fiscal officer submits to the Village Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a motion.
4. Any revisions to the budget must be approved by the Village Council.
5. Budget amounts in these financial statements are as originally adopted, or as mandated by the Village Council.
6. Unexpended appropriations lapse at year end.

Note 3 Stewardship, Accountability and Compliance

The Village shall not incur expenditures in excess of the amount appropriated. Annual budgets are adopted on a basis that is consistent with generally accepted accounting principles and State Law for the General and Special Revenue Funds.

In the required supplemental information, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis, which is the adopted legal level of control.

Note 4 Deposits

Statutes authorize the Village to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds of the Village may not be deposited in financial institutions located in states other than Michigan.

The Village believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Council has adopted an investment policy authorizing certain types of investments and authorized one depository: Citizens Bank.

Interest rate risk. The Village's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2007

Note 4 Deposits (Concluded)

Credit risk. The Village will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Village's investment policy.

Concentration of credit risk. The Village does not place any limits on the amount the Village may deposit or invest in any one issuer.

Custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned or the Village will not be able to recover the collateral securities in the possession of an outside party. The Village has \$571,655 invested in certificates of deposit, checking accounts, and money markets. The Village's deposits are insured by the FDIC in the amount of \$100,000, with uninsured deposits of \$471,655. The Village's deposits are at an institution with an established record of fiscal health and service. The Village Council approves and designates a list of authorized depository institutions. The Village's investment policy does not address deposit risk.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk.

Note 5 Capital Assets

Capital asset activity for the fiscal year ended December 31, 2007, was as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Governmental Activities:				
Assets not being depreciated:				
Land	\$55,747	\$0	\$0	\$55,747
Construction in progress	32,719	88,580	0	121,299
Capital assets being depreciated:				
Building and building improvements	36,719	0	0	36,719
Machinery and equipment	31,286	0	0	31,286
Sewer system	890,962	0	0	890,962
Waterlines	1,546,694	0	0	1,546,694
Roads	449,693	352,851	0	802,544
Total capital assets	3,043,820	441,431	0	3,485,251
Less accumulated depreciation for:				
Building and building improvements	(4,196)	(711)	0	(4,907)
Machinery and equipment	(22,426)	(2,381)	0	(24,807)
Sewer system	(573,186)	(17,819)	0	(591,005)
Water lines	(283,561)	(30,934)	0	(314,495)
Roads	(30,576)	(22,485)	0	(53,061)
Total accumulated depreciation	(913,945)	(74,330)	0	(988,275)
Net capital assets	\$2,129,875	\$367,101	\$0	\$2,496,976

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2007

Note 5 Capital Assets (Concluded)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,439
Public works	71,238
Recreation and cultural	<u>653</u>
Total governmental activities	<u>\$74,330</u>

Note 6 Long-Term Debt

The following is a summary of long-term debt outstanding as of December 31, 2007:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Dates</u>	<u>Original Amount of Issue</u>	<u>Balance Outstanding</u>
Contract liability for:					
General Obligation					
Limited Tax Water					
Supply System Bonds					
(Maybee/Raisinville/	5.000%-		11/1/97-		
Exeter/London-Series 1997)	7.500%	04/01/97	05/1/16	<u>\$316,123</u>	<u>\$12,987</u>

Changes in long-term debt during the 2007 fiscal period are summarized as follows:

	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2007</u>	<u>Due In One Year</u>
General Obligation					
Limited Tax Water					
Supply System Bonds					
(Maybee/Raisinville/					
Exeter/London-Series 1997)	\$ 14,430	\$ -	\$ 1,443	\$12,987	\$1,443
1997 Special Assessment					
Water Bonds	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>-</u>
	<u>\$164,430</u>	<u>\$ -</u>	<u>\$151,443</u>	<u>\$12,987</u>	<u>\$1,443</u>

VILLAGE OF MAYBEE

Notes to Financial Statements *Year Ended December 31, 2007*

Note 6 Long-Term Debt (Concluded)

The following is a repayment schedule of the December 31, 2007 balance:

Contract liability for the General Obligation Limited Tax Water Supply System Bonds (Maybee/Raisinville/Exeter/London - Series 1997) - original issue of \$2,595,000, with the Village's share set at 12.182%, equaling \$316,123. The bonds were issued April 1, 1997 by the County of Monroe. Since the Village has made additional principal payments, their share of the remaining payments has been reduced as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
05/01/08	\$ 1,443	\$ 355	\$ 1,798
11/01/08	0	317	317
05/01/09	1,443	317	1,760
11/01/09	0	278	278
05/01/10	1,443	278	1,721
11/01/10	0	238	238
05/01/11	1,443	238	1,681
11/01/11	0	198	198
05/01/12	1,443	198	1,641
11/01/12	0	159	159
05/01/13	1,443	159	1,602
11/01/13	0	119	119
05/01/14	1,443	119	1,562
11/01/14	0	79	79
05/01/15	1,443	79	1,522
11/01/15	0	40	40
05/01/16	<u>1,443</u>	<u>40</u>	<u>1,483</u>
	<u>\$12,987</u>	<u>\$3,211</u>	<u>\$16,198</u>

The annual requirements to pay principal and interest on the long-term debt outstanding at December 31, 2007, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$1,443	\$ 672	\$ 2,115
2009	1,443	595	2,038
2010	1,443	516	1,959
2011	1,443	436	1,879
2012	1,443	357	1,800
2013-2016	<u>5,772</u>	<u>635</u>	<u>6,407</u>
Total	<u>\$12,987</u>	<u>\$3,211</u>	<u>\$16,198</u>

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2007

Note 7 Water Special Assessments and Tap Fees

The Village of Maybee 1997 Special Assessment Water Bonds issued in the original amount of \$995,000 and the Village's share of the County of Monroe General Obligation Limited Tax Water Supply Systems Bonds in the amount of \$316,123 are to be financed through a special assessment. The special assessment was levied against the benefiting property owners on December 1, 1996. Property owners were originally assessed \$8,000 per residence equivalency unit (REU) but during 1999 the assessment was reduced to \$7,200 per REU. The property owners had the option to pay the original assessments over a twenty year period with a minimum annual principal payment of \$400 per REU plus interest at 6.55%. As a result of the reduction in the assessment, the annual principal payment was reduced to \$352.94 per REU. The Village also charges an indirect tap fee assessment of \$5,000 which can be paid over the remaining life of the bond issue. As of December 31, 2007, the balance remaining on the assessments were \$182,251. In 2007, the Village paid off the 1997 Special Assessment Water Bonds, and refunded \$1,600 to the property owners in the original assessment and \$1,000 to the property owners connected through the indirect tap fee assessment.

Note 8 Property Taxes

The Village bills and collects its own property taxes. For 2007, the Village tax levy was spread as follows:

	<u>Mills Levied</u>	<u>Taxes Levied</u>
General Fund	8.3693	<u>\$131,674</u>

The Village's 2007 property taxes, levied on July 1, 2007 on assessed valuation as of December 31, 2006, were due and payable by August 31, 2007. Taxable values, which amounted to \$15,733,200, represent a percentage of the fair market value of the assessed property.

As of December 31, 2007, delinquent taxes of \$8,699 are reflected as a receivable in the General Fund.

Note 9 Employee's Pension Plan

The Village adopted a simplified employee pension - individual retirement account plan (SEP-IRA) through Auto-Owners Life Insurance Company. The Plan became effective July 1, 1991. All employees of the Village are eligible for participation upon employment with 100% vesting immediately. The Village contributes 7.5% of the employees wages to the Plan. The Village contributed \$1,595 to the plan for the 2007 plan year based upon wages covered under the plan of \$21,263. Employees may make voluntary contributions to the Plan. The Village has no liability beyond its own contribution.

Note 10 London Township Sewage Disposal System No. 1 Contract

In September, 1983, the Village of Maybee entered into a contract with London Township for treatment and disposal of sewage from the Collingwood Estates Subdivision. Under the terms of the agreement, the Village of Maybee will provide sewage treatment and disposal service for no more than 85 residential homes. London Township is required to pay the Village of Maybee a bi-monthly usage fee per residence as authorized by the Village. The fee is \$35.00 per residence.

Note 11 Lease of Village Property

In November, 2004, the Village approved a 5 year lease beginning January 1, 2005, with the Maybee Farmers Cooperative for a small parcel of Village property for \$500 per month.

VILLAGE OF MAYBEE

Notes to Financial Statements Year Ended December 31, 2007

Note 12 Sewer Tap Fees

The Village charges a tap fee for direct service connection based on single-family residence equivalents. The fee is \$4,075 per residential equivalent. The Village also charges an indirect service connection fee of \$2,475.

Note 13 Sewer Operation - Maintenance

Under a contract with the County of Monroe dated August 1970, the Village agreed to pay to the County the reasonable expenses for the operation and maintenance of the Maybee sewer system. Charges paid by the Sewer Operating Fund were \$61,971 for the year ended December 31, 2007. The Michigan Department of Environmental Quality (DEQ) has suggested that the Village set aside \$5,000 per year to be used for removal of sludge in the ponds in the near future. As of December 31, 2007, the Village has designated \$65,000 for this cost.

Note 14 Sewer Billing and Bookkeeping

The Monroe County Drain Commission performs the bi-monthly sewer billing and bookkeeping function for the Village. During 2007, the Village paid \$1,514 to the Drain Commission for this service.

Note 15 Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions and employee injuries (workman's compensation). The Village has purchased commercial insurance for property loss, torts, errors, omissions and employee injuries.

Note 16 Contingent Liability

The Village of Maybee is subject to the Michigan Employment Security Act and would be liable for valid unemployment claims on a reimbursement basis. For the year ended December 31, 2007, the Village incurred no expense and no provision has been made for any additional potential liability.

Note 17 Joint Venture

As indicated in Note 1, the Village is involved in two joint ventures. During the year, the Village contributed the following:

London-Maybee-Raisinville-Exeter Library	\$ 3,001
London-Maybee-Raisinville Fire Department	<u>25,377</u>
	<u>\$28,378</u>

Each municipality has a 25% interest in the Library joint venture. The following is the financial information of the joint venture, as of the Library's March 31, 2007 fiscal year:

Total assets	\$81,636
Total liabilities	3,001
Total net assets	78,635
Total revenues	11,586
Total operating expenses	9,930
Increase in net assets	1,656

VILLAGE OF MAYBEE

Notes to Financial Statements *Year Ended December 31, 2007*

Note 17 Joint Venture (Concluded)

The Village of Maybee's investment in the Fire Department joint venture is 13%. The percentage is reviewed annually and adjusted based on the fire runs of the prior five years. The following is the financial information of the joint venture, as of the Fire Department's March 31, 2007 fiscal year end:

Total assets	\$1,190,415
Total liabilities	0
Total net assets	1,190,415
Total revenues	203,076
Total operating expenses	246,044
Decrease in net assets	(42,968)

The Village is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements for the Fire Department can be obtained from the LMR Fire Department offices, PO Box 144, Maybee, MI 48159. The Library audit can be obtained from Exeter Township, 6158 Maybee-Scofield Road, Maybee, Michigan 48159.

VILLAGE OF MAYBEE

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property taxes	\$126,000	\$126,000	\$131,674	\$5,674
Licenses and permits	5,000	5,000	3,164	(1,836)
State grants:				
State shared revenue	42,250	42,250	41,728	(522)
Interest	4,000	4,000	13,219	9,219
Other revenue:				
Other	2,000	2,000	4,350	2,350
Cable franchise fees	4,500	4,500	5,286	786
Right of way	2,400	2,400	2,345	(55)
Rentals	6,000	6,000	6,000	0
	<u>14,900</u>	<u>14,900</u>	<u>17,981</u>	<u>3,081</u>
Total Revenues	192,150	192,150	207,766	15,616
Expenditures				
Legislative:				
Council	2,400	2,400	1,955	445
General government:				
President	4,200	4,200	4,079	121
Election	1,700	1,700	756	944
Attorney	3,000	3,000	2,761	239
Clerk	5,300	5,300	4,386	914
Treasurer	4,700	5,200	4,558	642
Village hall and grounds	52,000	52,000	19,103	32,897
Other	6,800	6,800	6,380	420
	<u>77,700</u>	<u>78,200</u>	<u>42,023</u>	<u>36,177</u>

VILLAGE OF MAYBEE

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
				Positive
				(Negative)
Expenditures (Concluded)				
Public safety:				
Ordinance enforcer	\$1,500	\$1,500	\$73	\$1,427
Police	2,000	2,000	0	2,000
Supplies	5,000	5,000	0	5,000
Fire department	24,400	26,400	25,775	625
Building inspection	7,000	7,000	2,342	4,658
Electrical inspection	0	0	1,035	(1,035)
Zoning board	3,000	6,000	4,590	1,410
	42,900	47,900	33,815	14,085
Public works:				
Department of public works	3,500	3,500	0	3,500
Streetlights	16,000	16,000	12,210	3,790
	19,500	19,500	12,210	7,290
Recreation and cultural:				
Administration	500	500	2,915	(2,415)
Library services	3,025	3,025	3,001	24
	3,525	3,525	5,916	(2,391)
Other:				
Social security	200	200	0	200
Medicare	1,200	1,200	501	699
Insurance	6,000	6,500	6,482	18
Retirement	3,800	3,800	1,595	2,205
	11,200	11,700	8,578	3,122
Total Expenditures	157,225	163,225	104,497	58,728
Excess (Deficiency) of				
Revenues Over Expenditures	34,925	28,925	103,269	74,344
Other Financing Sources (Uses)				
Operating transfer out	(75,000)	(75,000)	0	75,000
Net Change in Fund Balance	(40,075)	(46,075)	103,269	149,344
Fund Balance - Beginning of year	249,878	272,178	287,686	15,508
Fund Balance - End of year	\$209,803	\$226,103	\$390,955	\$164,852

VILLAGE OF MAYBEE

Major Street Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
				Positive
				(Negative)
Revenues				
State grants	\$36,000	\$36,000	\$40,684	\$4,684
Interest	500	500	19,097	18,597
Other	0	0	1,052	1,052
Total Revenues	36,500	36,500	60,833	24,333
Expenditures				
Public works:				
Routine maintenance/preservation	329,000	329,000	356,317	(27,317)
Winter maintenance	5,000	7,000	8,563	(1,563)
Engineering fees	72,000	72,000	0	72,000
Total Expenditures	406,000	408,000	364,880	43,120
Excess (Deficiency) of Revenues Over Expenditures	(369,500)	(371,500)	(304,047)	67,453
Other Financing Sources (Uses)				
Operating transfer in	75,000	75,000	0	(75,000)
Net Change in Fund Balance	(294,500)	(296,500)	(304,047)	(7,547)
Fund Balance - Beginning of year	300,530	301,034	301,034	0
Fund Balance - End of year	\$6,030	\$4,534	(\$3,013)	(\$7,547)

VILLAGE OF MAYBEE

Local Street Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grants	\$8,000	\$8,000	\$11,162	\$3,162
Interest	500	500	935	435
Total Revenues	8,500	8,500	12,097	3,597
Expenditures				
Public works:				
Routine maintenance/preservation	1,500	1,500	0	1,500
Winter maintenance	3,000	3,000	1,300	1,700
Total Expenditures	4,500	4,500	1,300	3,200
Net Change in Fund Balance	4,000	4,000	10,797	397
Fund Balance - Beginning of year	26,314	25,520	25,520	0
Fund Balance - End of year	\$30,314	\$29,520	\$36,317	\$397

VILLAGE OF MAYBEE

Sewer Operating Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
State grant:				
MDEQ grant	\$95,000	\$95,000	\$95,673	\$673
Charges for services:				
Sewer use charges	68,000	68,000	71,607	3,607
Interest	500	500	4,186	3,686
Other	10,000	10,000	290	(9,710)
Total Revenues	173,500	173,500	171,756	(1,744)
Expenditures				
Public works:				
Operating and maintenance	69,000	69,000	63,485	5,515
Engineering fees	105,000	111,000	88,580	22,420
Ground maintenance	1,600	1,600	1,520	80
Total Expenditures	175,600	181,600	153,585	28,015
Net Change in Fund Balance	(2,100)	(8,100)	18,171	26,271
Fund Balance - Beginning of year	101,165	103,304	114,471	11,167
Fund Balance - End of year	\$99,065	\$95,204	\$132,642	\$37,438

VILLAGE OF MAYBEE

Water Debt Retirement Fund *Statement of Revenues, Expenditures, and Changes in Fund Balance* *Budget and Actual* *Year Ended December 31, 2007*

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues				
Special assessments	\$47,000	\$47,000	\$47,302	\$302
Interest	44,500	44,500	31,018	(13,482)
Other	13,000	13,000	3,999	(9,001)
Total Revenues	104,500	104,500	82,319	(22,181)
Expenditures				
Other:				
Refund of assessments	0	225,000	224,737	263
Other	0	0	995	(995)
	0	225,000	225,732	(732)
Debt Service:				
Principal	51,443	156,443	151,443	5,000
Interest and fees	7,800	7,800	7,700	100
	59,243	164,243	159,143	5,100
Total Expenditures	59,243	389,243	384,875	4,368
Net Change in Fund Balance	45,257	(284,743)	(302,556)	(17,813)
Fund Balance - Beginning of year	296,035	315,628	387,275	71,647
Fund Balance - End of year	<u>\$341,292</u>	<u>\$30,885</u>	<u>\$84,719</u>	<u>\$53,834</u>



**COOLEY HEHL
WOHLGAMUTH & CARLTON**
P. L. L. C. Certified Public Accountants

James R. Cooley, CPA
David K. Hehl, CPA
Robert W. Wohlgamuth, CPA
Peter H. Carlton, CPA
Matthew D. Hehl, CPA
Deborah A. Sabo, CPA

One South Monroe Street • Monroe, Michigan 48161-2281
Telephone: (734) 241-7200 • Fax: (734) 241-2637
www.chwccpa.com

Members:
American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Division for CPA Firms American Institute of
Certified Public Accountants

Village Council
Village of Maybee
Maybee, Michigan 48159

In planning and performing our audit of the financial statements of the Village of Maybee as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

Financial Statements

The Village does not have procedures in place to prepare financial statements in accordance with accounting principles generally accepted in the United States of America, including procedures to record accruals for revenues and expenditures, to track changes in capital assets, and to present required financial statement disclosures. As is the case with many smaller and medium-sized entities, the government has historically relied on independent external auditors to assist in the preparation of the government-wide financial statements and footnotes. As a result of this condition, the government lacks internal controls over the preparation of the financial statements in accordance with GAAP.

Village Council
Village of Maybee
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The following comment is not a significant deficiency or a material weakness but is a suggestion to improve your existing accounting and control systems.

Deficit Elimination Plan

The Major Street Fund ended the year with a deficit fund balance of \$3,013. The Village needs to adopt a deficit elimination plan and submit the plan to the State of Michigan.

We would be happy to meet with Village officials or the Village Council at any time in order to answer any questions concerning matters mentioned in this letter or concerning the audit report. It has been a pleasure to be of service to you and we appreciate the cooperation which we received during the audit.

Very truly yours,

Cody Hebl Wohlgemuth & Carlton

March 27, 2008